IIP and CPI data - August 2021

Why in news?

The Index of Industrial Production (IIP) and Consumer Price Index (CPI) figures were released recently for August 2021.

What does the data show?

- **IIP** - Industrial output rose 11.9% in August 2021, showing a double-digit year-on-year increase.
- The IIP constituents [mining, manufacturing and electricity] posted appreciable improvements of 23.6%, 9.7% and 16%, respectively.
- But there were contractions in last year when the economy was still struggling to recover from the first COVID-19 lockdown.
- So, the eroded base in the case of August 2020 IIP data disguises the fact that output actually shrank 0.2% on a month-on-month basis this year.
- Mining and manufacturing (together account for 94% of the index) posted sequential contractions of 0.8% and 0.5%, respectively.
- Only consumer non-durables and construction goods posted increases from July 2021.
- The slowdown in the consumer durables category reflects the lack of demand for white goods amid the pandemic.
- **CPI** - Inflation in September 2021 slowed by 95 basis points from the preceding month to 4.35%.
- CPI-based inflation eases towards the RBI's mandated target of 4%.
- Retail inflation has thus shown a sharp slowdown in price gains.
- But inflation too has benefited from the elevated levels in the year-earlier period when the headline reading had accelerated to 7.3% in September 2020.
- So the CPI data masks the real extent of price pressures across major product categories.
- With global crude oil ruling near 3-year highs, the Central and State governments should respond to the RBI's entreaties and cut fuel levies.
- Unless this happens, there is little scope for inflation easing by much in this category.

Source: The Hindu

Quick Facts

Index of Industrial Production (IIP)

- IIP is a composite indicator measuring changes in the volume of production of a basket of industrial products over a period of time, with respect to a chosen base period.
- It is compiled and published on a monthly basis by the CSO (now known as National Statistics Office (NSO)) with a time lag of 6 weeks from the reference month.

Consumer Price Index (CPI)

- The CPI is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.
- It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
- The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.
- India uses 2012 as the base year for calculating CPI.

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